

CITY OF CORAL GABLES
Property Advisory Board Meeting

Wednesday July 9, 2012, 8:30 a.m.
 Economic Sustainability Department
 1 Alhambra Plaza, Suite 617, Coral Gables, FL 33134

MEMBERS	A	S	O	N	D	J	F	M	A	M	J	J	APPOINTING ENTITY
	'11	'11	'11	'11	'11	'12	'12	'12	'12	'12	'12	'12	
Luis Espino	P	+	+	P	+	P	+	P	P	+	E	P	Mayor Jim Cason
Jack Elmore	P	+	+	P	+	P	+	P	P	+	P	P	Vice Mayor William H. Kerdyk, Jr.
Maurice Donsky	E	+	+	P	+	E	+	P	P	+	P	P	Commissioner Maria Anderson
James Hinrichsen Vice Chairman	P	+	+	P	+	E	+	P	P	+	E	E	Commissioner Rafael Cabrera, Jr.
Tony Gonzalez	P	+	+	P	+	P	+	P	E	+	P	P	Commissioner Frank Quesada
Edmund Mazzei Chairman	E	+	+	P	+	P	+	P	p	+	P	P	City Manager Patrick Salerno
Valentin Lopez	P	+	+	P	+	P	+	E	E	+	P	E	City Commission

A = Absent
 P = Present
 E = Excused
 + = No Meeting

STAFF AND GUESTS

Cynthia S. Birdsill, Economic Sustainability Department Director
 Leonard Roberts, Economic Sustainability Department Assistant Director
 Cindy Dorrel, Special Projects Coordinator

Motion Summary:

The Chair excused the absence of Mr. Hinrichsen and Mr. Lopez.

The minutes of the June 28, 2012 Board meeting were approved as amended.

The Board moved to recommend that the Commission approve the proposed amended lease for the 3501 Granada Boulevard property.

The Board moved to recommend that the Commission approve the proposed lease terms for the 2325 Galiano Street retail space.

1. The Chair called the meeting to order at 8:30 a.m.

The Chair excused the absence of Mr. Hinrichsen and Mr. Lopez.

2. Approval of the June 28, 2012 Board Minutes

Mr. Elmore moved to approve the board meeting minutes of June 28, 2012 as amended. Mr. Espino seconded, and the motion passed unanimously.

3. Consideration of lease for 3501 Granada Boulevard property

Chair Mazzei distributed to the Board a properties information summary sheet he had prepared on this property as well as surrounding properties. He described the proposed amended lease for the United States Southern Command house, located at 3501 Granada Boulevard, noting that he had met previously with Ms. Birdsill and Mr. Roberts and that he was comfortable with the proposed terms. The proposed deal terms are as follows:

Background: The current occupant is retiring, and a new Commanding General will be installed for Southern Command. Certain improvements to the Property are desirable, and in accordance with federal regulations, the Tenant will accommodate the construction of such improvements by extending the Lease Term and increasing the rental rate to the market rate after improvements are complete. Making these improvements to the house is recommended as it will make the Property more functional and livable for the occupant, and more suitable for visiting dignitaries, and will continue to meet the criteria of the Government as tenant. The increase in the rental rate to a market rate for the Property as improved is calculated to cover the City's costs of the improvements over a ten (10) year term. The City has had the honor of making available a home for the Commanding General of the Southern Command since 1999.

Premises: a 5 bedroom 5 bath unfurnished single family residence of approximately 4,832 square feet located at 3501 Granada Blvd.

Broker Fee: None.

Use: Residential.

Term: 1 year that can be renewed year to year up to five years. As with the current lease, the Tenant will continue to have the right to terminate at any time after the first year upon 90 days' notice, and its obligations are subject to federal appropriations. The federal government is not permitted to enter into a lease with a different term structure.

Renovations: The City will design and permit the improvements mentioned below. The City's contracted architect, Ferguson Glasgow Schuster Soto, Inc., will design the improvements; the City will then contract with vendors to make the improvements. The cost of the improvements shall not exceed \$222,500 (hard & soft cost). If the cost would exceed the cap, the scope would be reduced to stay within budget.

The new Lease would be signed if approved by the Commission and be effective immediately but rent would not start until renovations are complete. The current lease will also remain in effect for 30 days after all permits have been issued for the improvements so that the Tenant will pay rent under the current terms until the occupant is relocated to temporary housing. Upon vacation of the Property, the current lease will terminate, and the City will commence construction, and then only the new lease governing the renovations and commencement of rent after completion would be in effect. The Tenant will not pay rent during construction, while they are paying rent for temporary housing, as they are not permitted to pay double rent.

The City will endeavor to make the renovations within 210 days after receipt of permits, subject to Force Majeure and construction delays. The improvements would include redesigning and renovating the kitchen, living room, garage/security wing, laundry room, and master bathroom. In addition, the City will be replacing the living room and kitchen floors, adding a ½ bath, and addressing humidity conditions in the master bedroom.

When the improvements are complete, the parties will have a joint inspection, develop the punchlist and the rent at the higher rate will commence.

Rent:

The new rental rate will be \$8,850 per month and will begin upon completion of the improvements noted above. The current rate is \$6,499.29, which will end approximately 30 days after receipt of permits need to make the improvements. The current rental rate of \$6,499.29 covered the initial debt service for the purchase of the home as well as maintenance costs (which includes landscaping, pool, and pest control). The new rent will also cover debt service for the renovation costs and the lost rent during the renovation stage.

Costs and Maintenance: There are no real estate taxes on the property. The City covers the insurance and maintenance costs in the Rent which was previously factored in the current rental rate. The City will maintain all structural portions of the house; the roof; drainage structures; exterior windows and doors; the garage floor; and electrical, HVAC and plumbing systems, and will continue to provide pest control services, and hurricane shutter installation and removal as per the current lease. The Tenant will reimburse the cost of any hurricane shutter installation and removal. When the new lease commences, the Tenant will resume landscaping services and pool maintenance. The Tenant will be responsible for all utilities and trash removal. The City shall not be required to paint the complete exterior of the home more than once every 10 years. The City will use the renovation stage to complete the major repairs and maintenance pending, such as painting the exterior of the building.

Comparative Analysis over 5 years (rounded):

	<u>Current Rent</u>	<u>Proposed Rent</u>
5 Year Rental Income	\$389,957	\$531,000
Operating Expenses	(\$181,455) ¹	(\$97,620) ¹
Debt Service	<u>(\$270,000)</u>	<u>(\$413,693)</u>
Net Cashflow	(\$61,498)	\$19,687

¹ As a result of the renovations the non-routine repair costs are anticipated to be reduced by approximately 28%. In addition, routine maintenance will be reduced by 89%. (i.e. landscaping & pool will be a tenant expense)

Chair Mazzei then went over the required questions with the Board:

1. Does the proposed use conform to the City's comprehensive plan, and is it compatible with the surrounding area?

The Board agreed that the proposed use did conform to the use as residential and that it will be used as a residential property as it has been since 1999.

2. Are there positive or negative impacts on adjacent property?

Chair Mazzei noted the home has been rented to the Government since November 1, 1999, and that the continued rental should not negatively impact adjacent properties. He said the renovations should enhance the property and will ensure that the Government has a property that continues to work well for the occupant of the home. Also that it was believed it is beneficial generally to the City to have the Southern Command Commanding General housed in Coral Gables. The Board agreed with Chair Mazzei.

The Board requested that staff ask the General's staff if a tour of the home after the proposed renovations punchlist was complete would be possible so that the Board could observe the completion of renovations. Ms. Birdsill indicated that staff would make that request.

3. Are the terms and conditions based on market terms and value?

The Board agreed this is a market deal and covers the City's costs.

Mr. Espino made a motion to recommend to the Commission to approve the proposed amended lease for the 3501 Granada Boulevard property, as presented. Mr. Donsky seconded the motion, which passed unanimously.

4. Consideration of lease for 2325 Galino Street retail space

Ms. Birdsill discussed the proposed deal terms for the 2325 Galiano Street retail space noting that since the space has an inefficient layout constructed by the previous tenants, the space ideally needs to be gutted and renovated. The proposed tenant would put approximately \$300,000 in tenant improvements in the space, and will address the layout inefficiencies. Ms. Birdsill described the proposed concept as a restaurant, with an open stage for artists to perform in front of the dining crowd. Since the City plans to add entertainment in the Giralda area, this use fits that goal. This concept not only provides a new restaurant downtown, but will also provide live entertainment, enhancing options for residents and visitors.

The owners have over 20 years' experience in business. Their management team has over 15 years managing restaurants in Miami, New York and Argentina which include restaurants such as Novecento and Miss Yip. It was noted that Novecento's Coral Gables operation was closed when the landlord of 121 Alhambra asked them to return space to give to Capital Bank for its new headquarters. The owners have a passion for music and experience playing the drums and guitar. They have selected Coral Gables for their concept due to its affinity for arts and culture. They plan on using web-casting, social media and grass-root marketing to attract artists and patrons to their location. They also plan on working with other organizations (i.e. Miami Jazz Coop) to enhance the musical culture of the City.

Other terms are as follows:

Premises: 4,111 square feet at 2325 Galiano St, Coral Gables, FL, 33134. Space is being leased in its "as is" condition, and the tenant plans on spending approximately \$300,000 in tenant improvements.

Right of First Offer: Tenant shall have a continuing right of first offer to lease from Landlord any space contiguous to the Premises (i.e. the space currently occupied by Grazianos) which may become vacant and available for leasing during the Term. Chair Mazzei inquired as to the time frame for acceptance of the right of first offer and Mr. Roberts replied it was 15 days. Chair Mazzei indicated that 15 days was acceptable, although 10 would be his preference.

Broker Fee: 4% fee of the total base rent (\$22,680), to be paid by the City to Colliers International. It was noted that 4% is less than the standard broker fee of 6%.

Term: 7 years, commencing on the earlier of the Certificate of Occupancy or 8 months from signing, so the Tenant will have up to an 8 month build out period. It was noted that there is no abatement period.

Renewal: Provided the City chooses to renew the lease, Tenant will have 1 – 5 year renewal term at 95% Market Rate, which in no event will be less than 115% of the rate of the last lease year in the initial term or first renewal term, as applicable. Landlord shall have the right not more than twelve (12) months or less than six (6) months prior to the end of the initial Lease Term to notify the Tenant that the Landlord will not renew the Lease.

Rent:

<u>PERIOD</u>	<u>MONTH</u>	<u>PSF(NNN)</u>	<u>% Inc.</u>
Year 1	\$6,166.50	\$18.00	
Year 2	\$6,351.50	\$18.54	3%
Year 3	\$6,542.04	\$19.10	3%
Year 4	\$6,738.30	\$19.67	3%
Year 5	\$6,940.45	\$20.26	3%
Year 6	\$7,148.66	\$20.87	3%
Year 7	\$7,363.12	\$21.49	

Costs: This will be on our standard lease form, so Tenant will be responsible for its share of common area costs including insurance, real estate taxes, and the BID assessment.

Security: Security deposit of two months' base rent, insurance, real estate taxes and sales tax for a total of \$16,846.18. They will also post an additional security in the form of a letter of credit equal to four month's base rent, common area operating cost and sales tax of \$33,692.36. The additional security will be released within 30 days after the rent commencement date provided Tenant has not been in default at any time.

The City staff reviewed the partners' personal financial statements noting they appear solid. The City staff also reviewed the Tenant's business proposal noting the projected income is considered reasonable relative to their proposed rent.

Tenant Improvements: Tenant will invest \$300,000 of leasehold improvements into the space. Mr. Espino noted that when he looked at the space with someone interested in the property, which they also thought it would take around \$300,000 for improvements. He further noted that it was important to make sure that the \$300,000 of improvements were actually done, and asked that the City Architect make sure. Ms. Birdsill replied that it was an obligation in the deal terms, but that she would make sure that the City Architect was aware of the Board's concerns.

Chair Mazzei directed the attention of the Board to the leasing history and tenant history information included in the meeting materials packet and went briefly through both documents. He noted his concern of the condition of the stairwell of the garage next to where this space is located and asked that it be brought up to the attention of the Parking Director, and Mr. Donsky agreed. He said that having the stairwells painted and more lighting would be a big improvement. Ms. Birdsill replied that there was an ongoing effort to make the garages presentable, and that Mr. Roberts was checking the City properties twice a month.

Chair Mazzei then asked if the rent increases had been resolved for Fritz and Franz and Ms. Birdsill replied that the Finance Department had been working to try to reconstruct the accounting for the account. Chair Mazzei asked that it be noted in the minutes that “it has taken too long to get nothing done” and asked that the matter become an area of focus for the staff.

Chair Mazzei then went over the required questions for the Board.

1. Does the proposed use conform to the City’s comprehensive plan, and is it compatible with the surrounding area?

The Board agreed this is a retail use in a retail space and is in the central business district. Chair Mazzei added the broader use for entertainment, in addition to restaurant, was a plus for the area.

2. Are there positive or negative impacts on adjacent property?

The Board believed that this will positively impact adjacent retail spaces as another retail use will generate more foot traffic.

3. Are the terms and conditions based on market terms and value?

The Board agreed that this is a market deal.

Mr. Espino made a motion to recommend to the Commission to approve the proposed deal terms for the 2325 Galiano Street retail space as presented. Mr. Donsky seconded the motion, which passed unanimously.

The Board commended Ms. Birdsill and Mr. Roberts on their efforts and support in bringing deals for the City to fruition.

5. **Adjournment:** There being no further discussion, the meeting was adjourned at 9:10 a.m.

The next Property Advisory Board meeting is scheduled for August 15, 2012.

Respectfully submitted,

Cindy Dorrel
Special Projects Coordinator
Economic Sustainability Department